

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| THE APPLICATION OF CALDWELL COUNTY |) | |
| WATER DISTRICT OF CALDWELL COUNTY, |) | |
| KENTUCKY, FOR A CERTIFICATE OF PUBLIC |) | CASE NO. |
| CONVENIENCE AND NECESSITY TO CONSTRUCT |) | 2004-00149 |
| AND FINANCE PURSUANT TO THE PROVISIONS |) | |
| OF KRS 278.023 |) | |

O R D E R

On April 28, 2004, Caldwell County Water District ("Caldwell District") submitted an application for a Certificate of Public Convenience and Necessity to construct and finance a \$2,241,600 waterworks improvement project. The proposed project consists of the installation of approximately 41 miles of 3-inch, 4-inch, and 6-inch pipeline and associated appurtenances. This project will provide a safe and dependable water supply for approximately 142 new customers in rural Caldwell County.

Caldwell District proposes to finance the construction of the project through the issuance of \$600,000 of its Water Revenue Bonds; a grant from the United States Department of Agriculture ("USDA"), acting through Rural Development ("RD"), in the amount of \$900,000; a Kentucky State 2020 Program grant in the amount of \$669,600; and an applicant contribution in the amount of \$72,000. Caldwell District has a commitment from RD to purchase said \$600,000 of bonds maturing over a 40-year period, at an interest rate not exceeding 4.5 percent per annum.

Caldwell District's application was made pursuant to KRS 278.023, which requires the Commission to accept agreements between water utilities and the USDA or the U.S. Department of Housing and Urban Development and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements. Given that minimum filing requirements

were met in this case on April 28, 2004, KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of this agreement.

IT IS THEREFORE ORDERED that:

1. Caldwell District is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. Caldwell District's proposed plan of financing is accepted.
3. Caldwell District is authorized to issue Water System Revenue Bonds in the amount of \$600,000 maturing over 40 years and at an interest rate not exceeding 4.5 percent per annum.
4. The proceeds from the revenue bond issuance shall be used only for the purposes specified in the utility's application.
5. Notwithstanding Ordering Paragraph 4, if surplus funds remain after the approved construction has been completed, the utility may use such surplus to construct additional plant facility if RD approves of the use and the additional construction will not result in a change in the utility's rates for service. The utility shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.
6. Caldwell District shall file a copy of the "as-built" drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the construction certificated herein.

7. Caldwell District shall notify the Commission one week prior to the actual start of construction and at the 50 percent completion point.

8. Three years from the effective date of this Order, Caldwell District shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that its current water rates are sufficient to meet its operating expenses and annual debt service requirements.

9. Caldwell District shall monitor the adequacies of the expanded water distribution system after construction. If the level of service is inadequate or declining or the pressure to any customer is outside the requirements of Administrative Regulation 807 KAR 5:066, Section 5(1), Caldwell District shall take immediate action to maintain the level of service in conformance with the regulations of the Commission.

Nothing contained herein shall be deemed a warranty on the part of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

Done at Frankfort, Kentucky, this 26th day of May, 2004.

By the Commission

ATTEST:


Executive Director

Case No. 2004-00149